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Canada

Grain and Feed Annual

2011

Approved By:

Robin Tilsworth

Prepared By:

Darlene Dessureault

Report Highlights:

With price margins between the major crops relatively equal, the spring weather outlook will be the deciding factor for farmers in western Canada. Production of wheat, barley and oats is expected to rebound in 2011/2012, despite the wet spring conditions, and is forecast at 24.5 MMT, 2.65 MMT and 3.1 MMT, respectively. This is a 9% over 2010/2011 levels. Corn production is expected to remain above the 5-year average, while total production of peas, lentils and beans is expected to drop in 2011/2012 as prices of the pulse crops are less attractive than those of the major cereal crops.

Executive Summary:

2011/2012

- With price margins between the major crops relatively equal, the spring weather outlook will be the deciding factor for farmers in western Canada.
- Total wheat production in 2011/2012 is forecast at 24.5 million metric tons (MMT), 6% above 2010/2011 but held back by wet fall and spring conditions. Pulled down by reduced durum exports, the total wheat exports forecast for 2011/2012 is set 17.23 MMT while non-durum exports should rebound somewhat if growing conditions do not sour.
- Barley and oat production levels are forecast to rebound in 2011/2012 despite the challenging wet 2011/2012 spring conditions.
- While corn production is expected to decline slightly due to a return to average yields, corn production is expected to remain high above the 5-year average, spurred on by attractive prices generated by anticipated tighter carry-out stocks in 2011/2012.
- Exports of wheat, barley and oats are expected to recover somewhat in 2011/2012 as yields and qualities are expected to improve.
- Corn exports are forecast to remain strong in 2011/2012 due to high supplies.
- Strong corn supplies will limit corn imports in 2011/2012.
- No planting intention surveys were available at the time that this annual was written.

2010/2011

- Weather plagued western Canada grain production in 2010/2011. As a result, much of the quality of the 2010/2011 crop was downgraded.
- This caused particular marketing challenges for the Canadian Wheat Board whose customers were used to higher grade qualities.
- As a result of poorer quality and tighter supplies, greater quantities of barley and wheat were directed into feed.
- Due to the downgrading of quality and lower supplies, exports of wheat, barley and oats in 2010/2011 were also lower than the previous year's levels.
- Corn exports are on track to increase dramatically over 2009/2010 levels due to ample supplies resulting from high yields.
- High supplies are expected to limit corn imports in 2010/2011.

2009/2010

- There are some minor changes to 2009/2010 production, supply and demand estimates since the Grain and Feed Quarterly (January 2011).
- Based on recent grain and oilseed supply and disposition tables published by Agriculture and Agri-food Canada, Post has decreased the wheat feed and residual number to 2,774 TMT from 2,871 TMT. Post has also increased the food, industrial usage and seed number of wheat to 4,199 TMT from 4,112 TMT.
- The number for all wheat stocks has also changes; carry-out stocks for 2009/2010 have been changed to 7,830 TMT from 7,820 TMT.

ALL WHEAT

Production:

Despite high wheat prices, agronomic decisions are likely to dictate Canadian farmers' decision to plant wheat. While no farmer surveys regarding planting intentions have been published at the time of this report, Post forecasts that total wheat production will be close to 2010/2011 levels. Heavy rains in the fall of 2010 in the prairies saturated the ground before freezing and there was heavy snowfall over the course of the winter. These two factors increase the likelihood that the spring thaw will result in a lot of standing water making it difficult, and in some cases impossible, to get machinery into the fields earlier than May. As happened in the spring of 2010, it is likely that a number of acres will remain unseeded. Post has lowered its production forecast slightly from the January Grain and Feed Quarterly to take into account the current spring wet weather outlook. Post forecasts total wheat production at 24.5 million metric tons (MMT). This represents a 6% increase from year 2010/2011, but is still below the 5-year production average of 25.1 MMT. Post assumes average yields.

Winter wheat planted in western Canada remains something of a mystery. Due to the unfavorable weather conditions that left fields very wet in the fall of 2010, planting winter wheat was seen as an attractive option to help soak up the water. However, how much winter wheat managed to get seeded despite the saturated fields and whether or not the winter wheat survived the early freeze will be known around mid-May when the winter wheat heads. About 20% of winter wheat is grown in the prairies (Ontario produces on average about 80%) Winter wheat accounts for approximately 25% of total wheat grown in Canada. Winter wheat in Ontario is expected to increase significantly due to stronger prices and better seeding conditions in the fall of 2010.

Spring weather in 2010 limited seeding and despite difficult weather conditions towards harvest, yields were average. Quality of the wheat, however, was compromised by the record rainfalls during the growing season. As a result, large portions of the 2010 wheat crop was downgraded, and lower amounts of wheat met the requirements for the top milling grades. Harvest quality reports are available by the Canadian Grain Commission website at the following URL address:

<http://www.grainscanada.gc.ca/wheat-ble/hqwm-mqrb-eng.htm>. All wheat production in 2010/2011 was 23.2 MMT.

Consumption:

Domestic consumption of wheat for food and industrial use is expected to remain flat in 2011/2012 at 8.3 MMT. The Canadian livestock industry, especially the hog sector, competes for the same wheat varieties as Canadian ethanol producers. As a result, a forecast 10% decrease in the demand by the livestock industry, due to an assumed return to normal quality and consequent decreased amount of cheap feed wheat available, is forecast to be offset by an increase in the demand for wheat for FSI usage. FSI consumption for 2011/2012 is forecast at 5.0 MMT, 10% above the 5-year average. A gradual trend upwards in wheat food, seed and industrial (FSI) usage over time is the result of Canada's growing biofuel production capacity resulting from federal and provincial mandates. Feed and residual use is forecast at 3.3 MMT.

Domestic usage in 2010/2011 is predicted to increase 20% above year 2009/2010 levels, and 6% above the 5-year average. The majority of this increase is due to the increase in the availability of large amounts of feed wheat. Due to the downgrading of the quality of the 2010/2011 crop, the amount of wheat was directed into feed increased. Feed usage in 2010/2011 is predicted to be 3.7 MMT, 33% above the previous year's levels and 15% above the 5-year average.

Based on recent grain and oilseed supply and disposition tables published by Agriculture and Agri-food Canada, Post numbers for FSI consumption and feed and residual consumption for marketing year 2009/2010 have been modified. Post has decreased the feed and residual number to 2,774 thousand metric tons (TMT) from 2,871 TMT. Post has also increased the food, industrial usage and seed number to 4,199 TMT from 4,112 TMT.

Stocks:

Stocks in 2011/2012 are forecast to be drawn down significantly due to limited supplies resulting from only marginal increases in production expected. Stocks of wheat (excluding durum) are expected to drop to historical lows. Forecast increases in durum production in 2011/2012 will not be enough to replenish stocks. Durum stocks in 2011/2012 are forecasted to fall to 800 TMT.

Year-end stocks in 2010/2011 are estimated to be drawn down to 5.5 MMT due to lower supplies resulting from a lower area seeded on account of inclement spring weather. Tight supplies resulting from weather related production problems will result in durum stocks being drawn down to an estimated level of 1.0 MMT.

Based on recent grain and oilseed supply and disposition tables published by Agriculture and Agri-food Canada, the number for all wheat stocks submitted by Post has changed. Carry-out stocks for 2009/2010 have been changed to 7,830 TMT from 7,820 TMT.

Trade:

Imports:

Imports in 2011/2012 are forecast to remain in line with the 5-year average. Higher production is forecast to moderate the Canadian demand for imported wheat grain, but the Canadian demand for imported wheat products such as flours and couscous is forecast to remain steady as the strong Canadian dollar makes U.S. wheat product imports more attractive. Imports in 2011/2012 are forecast to be 355 TMT, which is in line with the 5-year average.

Total wheat imports (grain and products) in 2010/2011 have slowed slightly due to large amounts of lower quality domestic grain available. Available trade data shows that imports of wheat have slowed over 50% from the previous year level for the same time period. The imports of wheat products have increased by 10% however, helping offset the decrease in total wheat imports. This increase in wheat products imported is likely the result of a strong Canadian dollar. Post estimates all wheat imports at 365 TMT, 15% below 2009/2010 levels, but slightly higher than the 5-year average of 357 TMT.

Imports of durum are expected to jump to 22 TMT in 2010/2012 due to tight domestic supplies. This is a 10-fold increase over the previous year's level.

Exports:

Exports in 2011/2012 will be limited by supplies, despite attractive prices resulting from tightening world stocks. Exports of non-durum wheat are forecast to rise slightly due to increased supplies and improved quality; however this increase will be offset by decreased durum wheat exports. Total wheat exports in 2011/2012 are forecast at 17.2 MMT, slightly lower than the level of exports expected for 2010/2011.

Despite attractive prices for wheat, wheat exports in 2010/2011 have been limited by supplies and quality. The Canadian Wheat Board admits that the crop quality has presented significant marketing challenges this year. Wheat grades were the lowest since 2004. Post estimates total wheat exports in 2010/2011 will fall to 17.5 MMT, a nearly 8% decrease from the previous year's level and marginally lower than the 5-year average of 17.9 MMT.

Production, Supply and Demand Data Statistics:

WHEAT Canada	2009/2010		2010/2011		2011/2012	
In 1,000 ha, 1,000 metric tons	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,638	9,638	8,269	8,269		8,800
Beginning Stocks	6,547	6,547	7,820	7,830		5,500
Production	26,848	26,848	23,167	23,167		24,500
MY Imports	403	431	400	365		355
TY Imports	403	428	400	365		355
TY Imp. from U.S.	315	342	0	350		340
Total Supply	33,798	33,826	31,387	31,362		30,355
MY Exports	19,023	19,023	17,500	17,525		17,225
TY Exports	18,974	19,019	17,500	17,525		17,225
Feed and Residual	2,250	2,774	3,600	3,697		3,300
FSI Consumption	4,705	4,199	4,600	4,640		5,030
Total Consumption	6,955	6,973	8,200	8,337		8,330
Ending Stocks	7,820	7,830	5,687	5,500		4,800
Total Distribution	33,798	33,826	31,387	31,362		30,355

DURUM WHEAT

Production:

Durum wheat accounts for approximately 20% of total wheat. Durum wheat is forecast to increase by 28% in 2011/2012 due to the need to rebuild stocks and higher prices driven by tightening world stocks. Poor seeding conditions severely reduced durum production in 2010/2011.

Consumption:

Domestic consumption of durum in 2011/2012 is forecast to fall in response less feed grade durum available, assuming a return to higher quality. Anticipated higher quality in durum is forecast to increase FSI usage and significantly decrease feed usage. Domestic consumption of durum in 2011/2012 is forecast at 900 TMT.

Trade:

Exports in 2011/2012 are expected to fall due to tighter supplies due to increases in production not being able to off-set low carry-in stocks. Exports are forecast at 3.2 MMT. Exports in 201/2011 are expected to increase slightly over 2009/2010 due to high prices for quality durum resulting from a tight world supplies. Durum exports in 2010/2011 are expected to reach 3.2 MMT.

Production, Supply and Demand Data Statistics:

Wheat, Durum Canada	2009/2010		2010/2011		2011/2012	
in 1000 metric tons (TMT)	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2,230	0	1,244		1,580
Beginning Stocks	0	1,903	0	2,706		1,000
Production	0	5,400	0	3,025		3,800
MY Imports	0	110	0	102		100
TY Imports	0	110	0	102		100
TY Imp. from U.S.	0	107	0	102		100
Total Supply	0	7,413	0	5,833		4,900
MY Exports	0	3,820	0	3,900		3,200
TY Exports	0	2,987	0	3,900		3,200
Feed and Residual	0	394	0	429		376
FSI Consumption	0	493	0	504		524
Total Consumption	0	887	0	933		900
Ending Stocks	0	2,706	0	1,000		800
Total Distribution	0	7,413	0	5,833		4,900

BARLEY

Production:

World barley prices have risen as supplies of feed grains and malt barley have tightened. The higher prices and the need to rebuild stocks are expected to lift Canadian barley production in 2011/2012. Barley production in 2011/2012 is forecast to increase to 8.6 MMT, up 13% from 2010/2011 but still below the 5-year average of 10.0 MMT.

Barley production, like wheat production, was severely effected in 2010 by heavy rains in the spring which limited the farmers' ability to seed. Barley production in 2010/2011 was 7.6 MMT, 30% below the 5-year average.

Consumption:

Domestic consumption of barley in 2011/2012 is forecast to be only marginally below 2010/2011 level. A slight decrease in feed consumption due to lower supplies is expected to be offset by an increase in malting barley usage compared to the previous year. Very little barley from 2010/2011 met malt barley quality requirements. Post forecasts domestic consumption of barley to be 7.9 MMT in 2011/2012, 1% below 2010/2011 levels.

Domestic consumption of barley in 2010/2011 is expected to fall 6% due to lower supplies and the availability of substitutes such as wheat malt and dried distillers' grains. Agriculture and Agri-food Canada reports that tight barley supplies are expected to result in a 25% increase in imports of U.S. corn dried distillers grains (DDG) compared to the previous 3-year average. This represents DDG imports of 1.0 MMT. The decline in domestic barley consumption is also largely due to a decrease in barley use for food due to lower supplies of malt barley. Domestic barley consumption in 2010/2011 is expected to be 8.0 MMT, 17% below the 5-year average of 9.3 MMT.

Stocks:

Year end 2011/2012 barley stocks are forecast to be drawn down to 500 TMT. The forecasted increase barley production will not be enough to allow production to off-set low carry-ins stocks. This will be a new record low.

Barley stocks in 2010/2011 are expected to fall to a record low of 1.0 MMT. Stocks are being drawn down due to low supplies resulting from reduced area seeded to barley and a steady demand from the livestock industry.

Trade:

Barley exports in 2011/2012 are forecast to be limited by supplies and are predicted to be similar to levels in 2010/2011. Increased amount of higher selection rates for malt barley for export are expected. Post forecasts barley exports at 1.3 MMT.

Barley exports in 2010/2011 have been limited by supplies and the lack of higher selection rates of malting barley. Barley exports are expected to fall to 1,275 TMT, 3% decrease from the previous year's level and nearly 30% below the 5-year average of 1,727 TMT.

Production, Supply and Demand Data Statistics:

BARLEY Canada	2009/2010		2010/2011		2011/2012	
In 1,000 ha, 1,000 metric tons	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,918	2,918	2,387	2,387		2,650
Beginning Stocks	2,843	2,843	2,583	2,583		1,000
Production	9,517	9,517	7,605	7,605		8,600
MY Imports	36	42	50	45		40
TY Imports	29	36	50	45		40
TY Imp. from U.S.	29	29	0	40		35
Total Supply	12,396	12,402	10,238	10,233		9,640
MY Exports	1,309	1,309	1,300	1,275		1,300
TY Exports	1,203	1,203	1,300	1,275		1,300
Feed and Residual	7,269	7,284	6,500	7,128		6,940
FSI Consumption	1,235	1,226	1,100	830		900
Total Consumption	8,504	8,510	7,600	7,958		7,840
Ending Stocks	2,583	2,583	1,338	1,000		500
Total Distribution	12,396	12,402	10,238	10,233		9,640

CORN

Production:

Higher prices driven by tighter corn stocks world-wide are expected to hold area planted to corn in Quebec and Ontario relatively steady in 2012/2011. Area seeded to corn is forecast to remain at levels close those of 2010/2011; however production is forecast to fall slightly due to a return to more average yield levels. Post forecasts corn production for 2011/2012 at 11.2 MMT, a 4% decrease from 2010/2011 corn production levels, but 10% above the 5-year average of 10.2 MMT.

Good weather helped deliver high yields for Quebec and Ontario corn growers in 2010/2011. Corn production in 2010/2011 reached 11,715 TMT, nearly 18% above the 5-year average.

Consumption:

Domestic consumption for 2011/2012 is forecast to remain close to year 2010/2011 consumption levels. Livestock demand in 2011/2012 is expected to remain strong due to relatively high supplies. Industrial usage of corn for the production of biofuels is expected to lift FSI usage slightly. Domestic consumption is forecast at 12.1 MMT.

Domestic consumption in 2010/2011 is expected to continue to be close to the 5-year average of 11.7 MMT due increasing demand from the biofuels industry offsetting declining demand from the smaller livestock industry. Consumption by the livestock industry in 2010/2011 is expected to be 7.7 MMT, very close to year 2009/2010 levels. This also represents a 10% decrease from the 5-year average of 8.7 MMT. This is reflective of the downsizing and restructuring of the Canadian livestock industry that has been taking place in the recent years. In contrast, the corn usage for food, industrial usage, and seed in 2010/2011 is expected to reach 4.2 MMT, a 6% increase from the previous year's levels but 30% above the 5-year average of 3.3 MMT. The Canadian renewable fuel mandate which requires that 5% of the Canadian gasoline pool be comprised of renewable fuel came into effect on December 15, 2010. A continued, gradual increase in demand for corn for biofuel production is anticipated as Canada continues to grow its biofuel production capacity in response to the federal and provincial mandates.

Stocks:

Slightly lower supplies due to a return to average yields and higher than average exports are forecast to draw down corn stocks in 2011/2012. Carry-out stocks in 2011/2012 are forecast at 1.5 MMT.

Stocks in 2010/2011 are expected to increase despite high levels of exports. Due to high supplies resulting from higher than average yields, carry-out stocks in 2010/2011 are expected to be 1.9 MMT.

Trade:

Imports:

Higher than average supplies are forecast to continue to limit corn imports in 2011/2012. Corn imports for 2011/2012 are forecast to fall slightly from 2010/2011 due to ample supplies. Corn imports are forecast at 1.4 MMT for 2011/2012.

Higher than average supplies are limiting corn imports during the 2010/2011 marketing year. Corn imports in 2010/2011 are expected to be 1.5 MMT, levels which are 30% below 5-year average corn import levels of 2.1 MMT.

Exports:

Export levels in 2011/2012 are expected to fall slightly from the very high levels of 2010/2011. Corn exports are forecast to fall to 900 TMT in 2011/2012 due to slightly higher world supplies of corn anticipated for 2011/2012. The forecast corn exports levels in 2011/2012 that are significantly higher than the 5-year average are anticipated due to higher than average Canadian supplies and strong demand due to tighter world stocks.

Increased supplies due to very high yields, and strong prices due to tight world corn supplies, have driven Canadian corn exports up sharply in 2010/2011. Corn export levels in 2010/2011 are expected to reach 1.2 MMT, which is 225% higher than the 5-year average of 369 TMT.

Production, Supply and Demand Data Statistics:

CORN Canada	2009/2010		2010/2011		2011/2012	
In 1,000 ha, 1,000 metric tons	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,142	1,142	1,203	1,203		1,240
Beginning Stocks	1,833	1,833	1,758	1,758		1,900
Production	9,561	9,561	11,714	11,715		11,200
MY Imports	2,099	2,118	1,600	1,500		1,400
TY Imports	1,961	1,961	1,600	1,500		1,400
TY Imp. from U.S.	1,959	1,961	0	1,500		1,400
Total Supply	13,493	13,512	15,072	14,973		14,500
MY Exports	129	129	1,000	1,200		900
TY Exports	184	184	1,000	1,200		900
Feed and Residual	7,651	7,698	8,000	7,710		7,786
FSI Consumption	3,955	3,927	4,300	4,163		4,314
Total Consumption	11,606	11,625	12,300	11,873		12,100
Ending Stocks	1,758	1,758	1,772	1,900		1,500
Total Distribution	13,493	13,512	15,072	14,973		14,500

OATS

Production:

Higher prices and the need to rebuild stocks are forecast to help increase oat production in 2011/2012. Production is forecast to increase to 3.1 MMT, which is a 35% increase from year 2010/2011 levels, but still nearly 25% below the 5-year average of 3.7 MMT.

Oat production in 2010/2011 fell to 2.3 MMT due to lower area seeded and higher rates of abandonment caused by poor weather conditions. This was the lowest production number for oats in 20 years.

Consumption:

Domestic consumption of oats in 2011/2012 is forecast to fall 12% from 2010/2011 levels due mainly to a decreased usage from the livestock industry. A reduction in use by the livestock industry is anticipated due to an anticipated increase in prices and exports (lower availability). Consumption for food use is forecast to remain steady. Domestic consumption of oats in 2011/2012 is forecast at 1.43 MMT.

Domestic consumption of oats in 2010/2011 is expected to be 1.63 MMT, just slightly below the 5-year average of 1.68 MMT. Feed and FSI usage is expected to be close to the 5-year averages.

Stocks:

Higher oat production in 2011/2012 is expected to off-set very low carry-in stocks and help draw up stocks. Carry-out stocks for 2011/2012 are forecast at 750 TMT.

Lower production in 2010/2011 will draw down stocks in 2010/2011. Oat stocks in 2010/2011 are expected to fall to 550 TMT.

Trade:

Oat exports in 2011/2012 are forecast to increase due to tight corn ending stocks which will make cheaper grains like oats (and barley) more attractive. The forecast 5% increase in supplies is forecast to boost export levels 14% above 2010/2011 levels. Post forecast for oats exports in 2011/2012 is 1.5 MMT.

Oat exports in 2010/2011 have been limited by low supplies resulting from lower production levels, as well as reduced demand due to large oat stocks held by companies in the United States. Oat exports in 2010/2011 are expected to reach 1.3 MMT, a level 30% below the 5-year average. Supplies in 2010/2011 are anticipated to be 28% below the 5-year average.

Production, Supply and Demand Data Statistics:

OATS Canada	2009/2010		2010/2011		2011/2012	
In 1,000 ha, 1000 metric tons	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	980	948	841	841		1,100
Beginning Stocks	1,527	1,527	1,170	1,170		550
Production	2,906	2,906	2,298	2,298		3,100
MY Imports	16	17	15	15		15
TY Imports	21	21	15	15		15
TY Imp. from U.S.	20	20	0	15		15
Total Supply	4,449	4,450	3,483	3,483		3,665
MY Exports	1,526	1,526	1,300	1,300		1,485
TY Exports	1,539	1,792	1,300	1,300		1,485
Feed and Residual	1,043	1,048	1,000	965		730
FSI Consumption	710	706	675	668		700
Total Consumption	1,753	1,754	1,675	1,633		1,430
Ending Stocks	1,170	1,170	508	550		750
Total Distribution	4,449	4,450	3,483	3,483		3,665

PULSE CROPS – LENTILS, PEAS AND BEANS

Production:

Although no seeding intention surveys were available at the time of this report, total production of peas, lentils and beans is expected to drop in 2011/2012 as prices of the pulse crops are less attractive than those of the major cereal crops. High world supplies are driving down prices. In 2011/2012, total production of peas, lentils and beans is forecast to drop 9% to 4.6 MMT from 5.1 MMT in 2010/2011. Pea production in 2011/2012 is forecast to fall to 2.8 MMT from the year 2010/2011 levels of 2.862 MMT, lentil production is forecast to fall to 1.600 MMT from 1.947 MMT, and bean production is expected to fall to 190 TMT from the previous year's level of 254 TMT. The wet cool 2011 spring conditions that are forecast will also likely lead to a decrease in area planted to pulses. Dry beans area in particular may be replaced by soybeans as soybeans are comparative easier to grow in wet conditions and have varieties that require fewer growing degree days. Asia and the India subcontinent will continue to be a major factor in determining the market direction.